

FINANCE

Our financial framework and the fees we charge are closely governed by the rules covering trading funds, Treasury guidelines and European company law. We must ensure that we uphold the principle of cost recovery for our services and that overall taking one year with another our income and costs are in balance.

Headlines

- Impact of the Northern Ireland (NI) registry costs and income (£0.7m full year impact)
- Increasing Late Filing Penalty (LFP) costs and income (£0.8m)
- October 2009 fees order
- Continuing reduction in overhead costs.
- Zero based efficiency review

	2007/8	2008/9	2009/10	2010/11
Income	69.7m	65.2m	66.6m	67.8m
Expenditure	64.3m	65.7m	67.0m	65.5m
EBID	5.4m	(0.5m)	(0.4m)	2.3m
Year end cash	13.3m	13.3m	9.0m	10.5m

2009/10 will be challenging as we balance investing in the organisation, driving down costs and managing our cash effectively in the current economic downturn. Our workload is uncertain despite the record number of companies on the register, and this may affect our income streams in the short term. Remedial action to reduce costs will mitigate the effect of this, but will not happen as quickly.

In light of this risk we have reviewed our financial rules and increased our minimum cash balance by £3m to provide an extra level of contingency given the level of uncertainty we face during the next year. We will monitor our workload trends closely and regularly review if we need to amend our plans to ensure we have a sound financial position.

We have completed a review of our costs and this has concluded that the revenue and costs for all our main services are within the acceptable tolerances for our cost recovery and fees rules. This means that we will continue to hold our fees at a low level and our October fees order will just bring the changes required by the new Companies Act. However, during 2009/10 we will carry out a fundamental review of our costs and services in line with our new strategy. We will investigate how we might introduce a fully electronic fee, for companies filing everything on line, how our search fees should change in line with our new product strategy and assess the impact of the new Companies Act.

Our income and cost base will change with the integration of the Northern Ireland registry into the trading fund and we will start to see the full impact of the Late Filing Penalty (LFP) regime linked to the reduction in filing times for accounts.

As part of our drive to improve efficiency we have started a zero based review of all aspects of our operation. This will feed into our work on the Target Operational Model

as well as identifying areas for driving efficiency improvements to help us achieve our corporate efficiency target.

Financial Commentary

This commentary accompanies the financial schedules in annexes A to D.

Income

Income in 2009/10 rises marginally from the 2008/9 forecast as we believe that the impact of the current economic downturn is unlikely to affect the volume of incorporations to any large degree. We have reduced the forecast number of incorporations to 300,000, but this is only 10% lower than recent averages. Annual returns income will be bolstered by improvements to our compliance procedures, and also includes the effect of 6 months' trading activity by the Northern Ireland registry.

Expenditure

Staff costs: in 2008/9 internal staff costs of £2.3m were capitalised, which impacts on the operating account. In 2009/10 only £0.6m is being capitalised, which explains much of the increase in cost between the two years. Actual headcount is reducing on normal activity as we realise further efficiencies, but this is offset by increases in workload arising from the Companies Act changes. However, this will be met from within existing headcount numbers.

Overheads: underlying overheads have reduced by 11.5%, but one-off costs of £1.5m associated with disseminating information about the new Companies Act has cut this decrease to only 5.1%. We will continue to drive efficiencies through these costs in the forthcoming period in order to achieve further savings.

Other costs: it should be noted that £0.35m will be incurred by introducing the NI Registry into the Trading Fund, and that the cost of the LFP Administration, which is fully resourced by BERR, has risen to £4.8m as a result of changes in the Companies Act. (N.B. the value of the penalties collected and paid directly to the Consolidated Fund under this arrangement is in the region of £50m).

Cash: the Executive Board has agreed that it would be prudent to increase the level of the minimum cash balances to £8.5m in order to protect against any erosion of income in the current economic climate. Remedial action would be taken to reduce costs to maintain this level where possible. We will repay £2m to BERR in respect of a loan received in 2008/9, with the remaining £2.5m repaid in the following year.

Capital Investment: we have earmarked £4.1m for capital investment in 2009/10, with most of that used to implement the Companies Act changes (£1.2m) and the next stages of our electronic enablement programme (£2.1m).

PUBLIC TARGETS

Companies House has a wide range of targets linked to our balanced scorecard to help focus and drive the organisation. From this range of targets a number are designated as public targets reflecting our priorities for the year and the standards that a public service organisation should achieve. Our public targets for 2009/10 are:

Customer

- To achieve a score of more than 86% in each quarterly Companies House customer satisfaction survey.
- To achieve on average a monthly compliance rate for accounts submitted of 95.3%.
- To achieve an electronic filing target for accounts of 20%.
- To achieve an electronic filing target for other transactions of 67%.
- To ensure that 95% of electronic documents can be accessed within 60 seconds by search customers from the Companies House Direct download area.
- To resolve 97% of all complaints within 5 days.
- The Chief Executive to reply within 10 days to all letters from members of Parliament delegated to him to reply.

Process

- To ensure that 95% of electronic transactions received are available to view on the public record within 72 hours.
- To ensure that 95% of paper transactions received are available to view on the public record within 8 days.
- To ensure that 99.5% of images placed on the Companies House image system are legible and complete.
- To ensure that Companies House Direct, WebCheck and WebFiling are available for 99% of the time between the hours of 7am and midnight.

People

- To ensure that our average work days lost per person is no more than 10.
- To improve the operational energy efficiency rating of Companies House's headquarters building by 10%

Finance

- To achieve by 2010/11 a reduction, in real terms, of 15% compared to 2007/08 in the operational monetary cost of the registry per company on the register (3 year target).
- To achieve taking one year with another, a 3.5% average rate of return based on the operating surplus expressed as a percentage of average net assets.
- To pay invoices within 10 days.

COMPANIES HOUSE BUSINESS PLAN 2009/10

OPERATING ACCOUNT			
2008/9 Forecast Unaudited £000		2009/10 PLAN £000	Variance £000
65,183	TOTAL INCOME	66,589	1,406
32,190	Staff Costs	33,905	(1,715)
23,498	Overheads	22,301	1,197
6,030	Depreciation	5,650	380
4,000	LFP Administration	4,800	(800)
-	NI Registry (6 months)	350	(350)
65,718	OPERATING EXPENDITURE	67,006	(1,288)
(535)	Earnings before Interest and Dividend	(417)	118
401	Net Interest (Payable) / Receivable	-	(401)
(134)	OPERATING SURPLUS/(DEFICIT)	(417)	(283)
(2,000)	Dividend	(2,000)	-
(2,134)	RETAINED SURPLUS/(DEFICIT)	(2,417)	(283)

CASH FLOW			
2008/9 Forecast Unaudited £000		2009/10 PLAN £000	Variance £000
(535)	EBID	(417)	118
6,030	Add back depreciation	5,650	(380)
5,495		5,233	(262)
(7,317)	less CAPEX	(4,053)	3,264
4,500	add Loans received/(repaid)	(2,000)	(6,500)
401	add Interest received	-	(401)
(2,116)	less dividends paid	(2,000)	116
(1,025)	Working capital movement	(1,500)	(475)
(62)	CASH INFLOW/(OUTFLOW)	(4,320)	(4,258)
13,362	OPENING CASH BALANCE	13,300	(62)
13,300	CLOSING CASH BALANCE	8,980	(4,320)

Companies House Business Plan 2009/10

Income			
2008/9 Forecast Unaudited £000		2009/10 PLAN £000	Variance £000
	Regulatory income		
5,491	Incorporations	5,375	(116)
33,927	Annual returns	35,233	1,306
5,955	Other	5,750	(205)
45,373		46,358	985
	Search services		
9,317	Companies House Direct	9,400	83
1,765	WebCheck	1,850	85
1,111	Certified copies	1,110	(1)
1,634	Other	1,562	(72)
13,827		13,922	95
	Other income		
1,420	Income from tenants	1,361	(59)
4,000	LFP running costs recovered from BERR	4,800	800
563	Other	148	(415)
5,983		6,309	326
65,183	Total	66,589	1,406

Companies House Business Plan 2009/10

Balance Sheet		
2008/9 Forecast Unaudited £000		2009/10 PLAN £000
55,918	Fixed assets	54,321
(6,473)	Net current liabilities	(4,973)
13,300	Cash	8,980
62,745		58,328
	Financed by:	
15,889	Public Dividend capital	15,889
12,099	Revaluation Reserve	12,099
30,257	Retained Surplus	27,840
4,500	Loans	2,500
62,745		58,328

Companies House Business Plan 2009-10: Capital Expenditure**Property, Procurement and People**

T&A Replacement	90	
Toilets upgrade	90	
Furniture replacement (£120k Edinburgh)	120	
Replacement of failed waterproofing membrane on external decks	180	
Replacement of motor and control gear for two lifts in the carpark	<u>135</u>	
		615

Finance

Cedar Upgrade	38	
LFP Internet Payment system	<u>60</u>	
		98

Corporate Strategy

New Equipment for exhibitions	15	
New Van	<u>25</u>	
		40

BSD

Transfer from P&L		
CAP	1,204	
STAR	2,096	
		3,300

Total		<u><u>4,053</u></u>
--------------	--	----------------------------